

Message Text

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ACTION XMB-04

INFO OCT-01 EA-06 ISO-00 EB-07 COME-00 /018 W

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P R 210615Z MAY 75

FM AMEMBASSY TAIPEI

TO SECSTATE WASHDC PRIORITY 5245

INFO AMCONSUL HONG KONG

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E.(\$. 11652; N/A

TAGS: EFIN, TW

SUBJECT: RECOVERY OF MACHINES FROM PRESTO TAIWAN

DEPARTMENT PASS EXIM BANK

REF: STATE 109645

1. SUMMARY: PRESTO HAS OFFERED TWO ALTERNATIVES TO RAND INVOLVING RETURN OF 2 OR 4 OF MACHINES TO ACME. LAWYERS HAVE ALSO BEEN CONSULTED RE POSSIBLE ATTACHMENT OF MACHINES. EMBASSY/RAND RECOMMEND FIRST ALTERNATIVE END SUMMARY.

2. RAND AND EMBASSY OFFICER CALLED ON PRESTO TAIWAN CHAIRMAN EDWARD RECHFELDT AND PRESIDENT FRANK ESKUCHEN. BOTH THESE GENTLEMEN HAVE EQUAL INVESTMENTS IN COMPANY WHICH MAINTAINS OFFICES IN LARGE SUITE WHERE REHFELDTS (EDWARD, BROTHER CHARLES, AND SON EDWARD III) CONDUCT A NUMBER OF OTHER BUSINESSES UNDER OTHER COMPANY TITLES. THESE AGENCIES OR DISTRIBUTORSHIPS INCLUDE NORTHWEST AIRLINES, RCA COLOR TELEVISION SETS, AMANA REFRIGERATOR EQUIPMENT, BOSCH SPARK PLUGS AND OTHERS.

3. PRESTO HAS NOW TRANSFERRED PROCEEDS OF SALE OF FIRST TWO MACHINES TO ACME WHICH HAS ALREADY ACKNOWLEDGED RECEIPT OF \$71,000, ACCORDING TO DOCUMENTATION EXHIBITED BY PRESTO.

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4. PRESTO OFFERS FOLLOWING ALTERNATIVES:

(A) RETURN OF REMAINING FOUR MACHINES IF WAIVER ON
\$44,000 IN DUTIES CAN BE ARRANGED OR IF 20 PERCENT OF VALUE
WERE TO BE PAID TO FIRST NATIONAL CITY BANK WHICH IS
OWED SOME \$200,000 OR
(B) RETURN OF ONLY TWO MACHINES IF WAIVER CANNOT BE
ARRANGED, REMAINING TWO MACHINES TO BE SOLD IN TAIWAN
WITH PROCEEDS TO BE DIVIDED EQUALLY BETWEEN ACME-SOCIETY
BANK AND FIRST NATIONAL CITY BANK. PRESTO STATES THAT
FNCB AND TRADE CREDITORS (OWED ABOUT \$40,000) WILL
AGREE AND THAT IT WILL PAY PACKING, SHIPPING AND
INSURANCE CHARGES WHICH THEY ESTIMATE WOULD AMOUNT TO
ABOUT \$5,000. PRESTO STATES THAT MACHINES ARE NOW WORTH
CONSIDERABLY MORE THAN WHEN THEY BOUGHT THEM.

5. PRESTO WILLING TO EXECUTE CHATTEL MORTGAGE TO
ACME-SOCIETY AS INTERIM MEASURE IN ACCORDANCE WITH ANY
OF ABOVE ALTERNATIVES. INFORMATION HERE IS THAT
CHATTEL MORTGAGE EXECUTION AND RECORDING WOULD
TAKE ONE TO TWO WEEKS.

6. RAND AND EMBASSY OFFICER ALSO CALLED ON LAW
FIRM OF LEE AND LI ON RECOMMENDATION OF EMBASSY. FIRM
IS ONE OF MOST ENIMENT AND REPUTABLE IN TAIWAN.
OTHER PROMINENT FIRM OF TSAR AND TSAI IS ALREADY
RETAINED BY FNCB. RAND HAS NOT DISCUSSED PRESTO CASEK
WITH TSAR AND TSAI OR FNCB.

7. PAUL S.P. HSU AND C.Y. YIN OF LEE AND LI ADVISE
THAT ATTACHMENT WILL LIE EVEN THOUGH PRESTO NOT AN
ABSCONDING DEBTOR BUT THAT A CASH DEPOSIT IN AMOUNT
OF ONE-THIRD OF DEBT WOULD BE REQUIRED AS A BOND IN
ORDER TO INSTITUTE PROCEEDINGS. THERE ARE NO BONDING
COMPANIES. ATTACHMENT COULD BE EFFECTED IN A MATTER
OF DAYS, ASSUMING THAT MACHINES CAN BE LOCATED
AT PRESTO FACTORY IN TAIWAN AREA WHERE PRESTO STATES THAT
THEY NOW ARE. ATTACHMENT WOULD REPRESENT ONLY COMMENCE-
MENT OF ACTION AND LENGTH OF TIME TO PROCEED TO JUDGMENT
WOULD DEPEND ON SPEED WITH WHICH CASE CAN BE BROUGHT
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TO TRIAL AND PRESENTED BY WITNESSES. APPEAL WOULD ALSO
BE POSSIBLITY. LEE AND LI FEES TRANSLATE INTO ABOUT
\$50 PER HOUR.

8. EMBASSY HAS ALREADY REQUESTED AN ADVISORY OPINION
FROM MINISTRY OF FINANCE ON POSSIBILITY OF WAIVER OF
CUSTOMS DUTY BUT HAS RECEIVED NEGATIVE RESPONSE, DUE
PERHAPS IN PART TO UNDESIRABLE PRECEDENT SUCH DECISION

WOULD SET.

9. PRESTO HAS PROVIDED FINANCIAL STATEMENTS FOR ONLY 1973. THESE SHOW INSUBSTANTIAL EQUITY POSITION. BUT PRESTO ALLEGES RENEWAL OF ORDERS FOR ITS TELEVISION PARTS BY AMERICAN MANUFACTURERS WHO HAVE ALREADY WORKED OFF THEIR ACCUMULATION ON INVENTORY. PRESIDENT ESKUCHEN HERE FROM CHICAGO WHERE HE STATES THAT HIS WHOLLY-OWNED COMPANY PRESTO USA IS ALSO A TELEVISION PARTS PRODUCER OF LONG STANDING. HE ADDS THAT HE HAS DONE BUSINESS OVER THE YEARS WITH AMERICAN MACHINE TOOL MANUFACTURERS INCLUDING GIDDINGS AND LEWIS AS WELL AS ACME AND WOULD NOT WISH TO HURT HIS REPUTATION. PRESTO PEOPLE RIDICULE IDEA OF BANKRUPTCY AND STATE THAT FNCB AND TRADE CREDITORS ARE BEING KEPT UNDER CONTROL. BUT THERE IS NOT, OF COURSE, ANY ASSURANCE THAT BANKRUPTCY WILL NOT TAKE PLACE.

10. EARLY REACTION WOULD BE APPRECIATED ON COURSE OF ACTION TO BE PURSUED, WHETHER TRANSFER (INCLUDING PERHAPS INTERIM CHATTEL MORTGAGE) OR ATTACHMENT ROUTE. EMBASSY/RAND RECOMMEND TRANSFER AS MOST EXPEDITIOUS AND LEAST EXPENSIVE COURSE AND ONE OFFERING BEST CHANCE OF MAXIMUM REPAYMENT. WHICHEVER COURSE OF ACTION IS PURSUED, MATTER SHOULD BE TURNED OVER TO LEE AND LI.
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Message Attributes

Automatic Decaptoning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: EQUIPMENT, LITIGATION, BANK LOANS, DEBT REPAYMENTS
Control Number: n/a
Copy: SINGLE
Draft Date: 21 MAY 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: greeneet
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975TAIPEI02805
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750177-1177
From: TAIPEI
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750529/aaaabamh.tel
Line Count: 141
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION XMB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 75 STATE 109645
Review Action: RELEASED, APPROVED
Review Authority: greeneet
Review Comment: n/a
Review Content Flags:
Review Date: 15 JUL 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <15 JUL 2003 by KelleyW0>; APPROVED <14 NOV 2003 by greeneet>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: RECOVERY OF MACHINES FROM PRESTO TAIWAN DEPARTMENT PASS EXIM BANK
TAGS: EFIN, TW, XMB, PRESTO TAIWAN LTD
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006